

United States
Civil Service
Commission

Report to the President

on

COST REDUCTION INITIATIVES IN PERSONNEL MANAGEMENT

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REPORT TO THE PRESIDENT
ON
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EXECUTIVE SUMMARY

Major efforts are now under way in every Federal agency to reduce or hold down the rising personnel costs of government without resorting to Government-wide promotion and hiring freezes. These efforts are being taken in response to President Ford's challenge to Federal managers to slow down the upward trend of Federal salary costs which constitute a substantial portion of total Federal spending.

This report describes actions taken by the Civil Service Commission and departments and agencies to place into operation effective cost reduction machinery focusing on six key areas of personnel management:

- Cost reduction objectives setting and review
- Work methods, practices and productivity enhancement
- Position management and classification
- Workforce planning and staffing
- Employee development
- Incentive systems

Payroll trend data for the past five years show encouraging signs of potential stabilization of government personnel costs.* While total Federal payroll dollar costs have continued to climb since FY 1970, those same costs have declined as a percentage of the total budget, from 15.3% in FY 1972 to 14% in FY 75. (Figure 1)

The percent of yearly rise in civilian employee costs in relation to the yearly budget increase has also significantly declined this year, marking the first time in the past five years that the rate of increase in employee costs has fallen below the rate of the annual budget increase. (Figure 2)

*Source: Special Analyses: Budget of the U. S. Government, FY 72-76, Office of Management and Budget

Total number of civilian employees has also held firm at approximately 2.8 million -- the same number employed in FY 71. (Table 1)

However, the total yearly cost per civilian employee and the percentage yearly rise in total civilian compensation and benefits, have continued to move upward, (Figures 3, 4), and remain the subject of intense inquiry by the President's Panel on Federal Compensation, headed by Vice President Rockefeller.

The extent to which the management actions described in this report have contributed to a slowing of the relative rise of personnel costs is unknown, and can only be inferred from the data above. No direct cause-effect relationships can be claimed for such complex factors. We are persuaded however, that some blunting of the upward spiral of personnel costs has indeed resulted this year from careful deliberate actions of Federal managers to employ their resources more wisely, and from the cooperation of Federal employees and their unions in the nationwide cost reduction effort initiated last Fall and now gaining increased momentum.

The following actions were initiated in FY 75 and are continuing through FY 76:

Cost Reduction Objectives Setting and Review. A major focus of CSC evaluations of personnel management policies and practices at Federal installations will be the critical assessment of cost effective personnel management. It is clear that the agencies are also making cost reduction an integral part of the management process through the use of internal personnel management evaluation systems as well as management by objectives and management information systems.

Work Methods, Practices and Productivity Enhancement. One of the most fruitful areas to initiate cost savings measures is in the methods and practices used to carry out the Government's work. The Commission's Clearinghouse on Productivity and Organizational Effectiveness will continue to provide leadership in this area and will become the focal point and government-wide source for new and innovative as well as established cost reduction methods as the campaign moves into high gear. Agencies have already taken a number of actions to simplify work, eliminate duplication and unnecessary procedures, improve methodology and to incorporate innovative or improved technology and the ideas of management, employees and unions into the overall effort of producing more quality work for fewer personnel dollars.

Position Management and Classification. Employee salaries make up the largest portion of direct government personnel costs, and it is in the areas of position management and classification which directly affect salaries that the CSC and agencies have found significant cost reduction opportunities. The Commission, through its personnel management evaluation system, and the agencies, through their internal evaluation systems,

management reviews, and increased attention by management and personnel staff, are working to insure the efficient and economical organization of work and structuring of positions as well as the accurate classification of positions at grades justified by the duties and responsibilities performed.

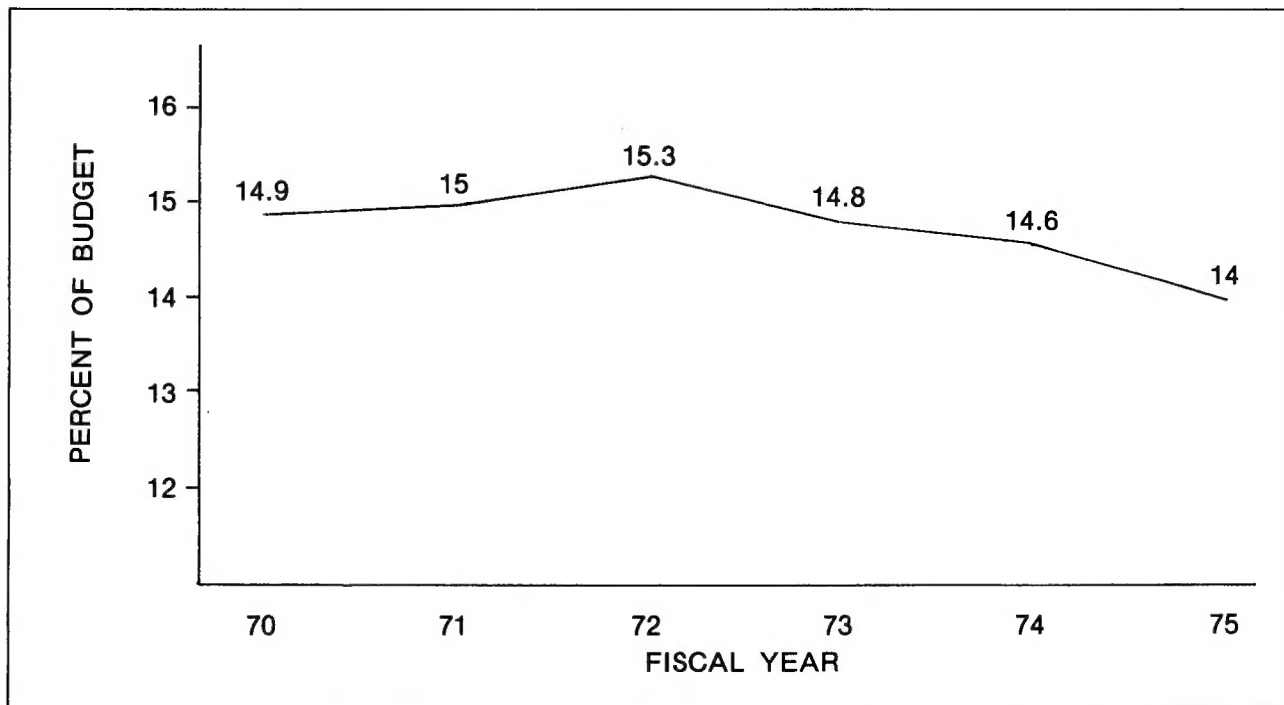
Work Force Planning and Staffing. The Commission has taken a number of steps to improve the examining and staffing policies and practices which will result in cost savings and still assure quality intake into the Federal Service. Many agencies have reported cost savings from comprehensive review of staffing requirements to assure that numbers, types and grade levels of positions are absolutely necessary and that positions are structured in the most economical and efficient manner and are recruited for at the lowest grade possible without sacrificing quality.

Employee Development. The Commission, as the leader in employee development and training methodology and as the government-wide source of training information, is taking a hard look along with the agencies at the cost-benefits of training and at more cost-effective delivery of training, an area in which savings are already reported. Of equal importance, the agencies through in-house and CSC sources are devoting more attention to training managers and supervisors on their responsibility for effective management by increasing training in MBO, cost effective management, work planning and use of productivity measures.

Incentive Systems. The Commission and many agencies are taking action to increase managerial and employee awareness of incentive systems and the potential they have for encouraging and recognizing employee contributions to cost effectiveness not only in personnel management but also in much broader areas of government operations.

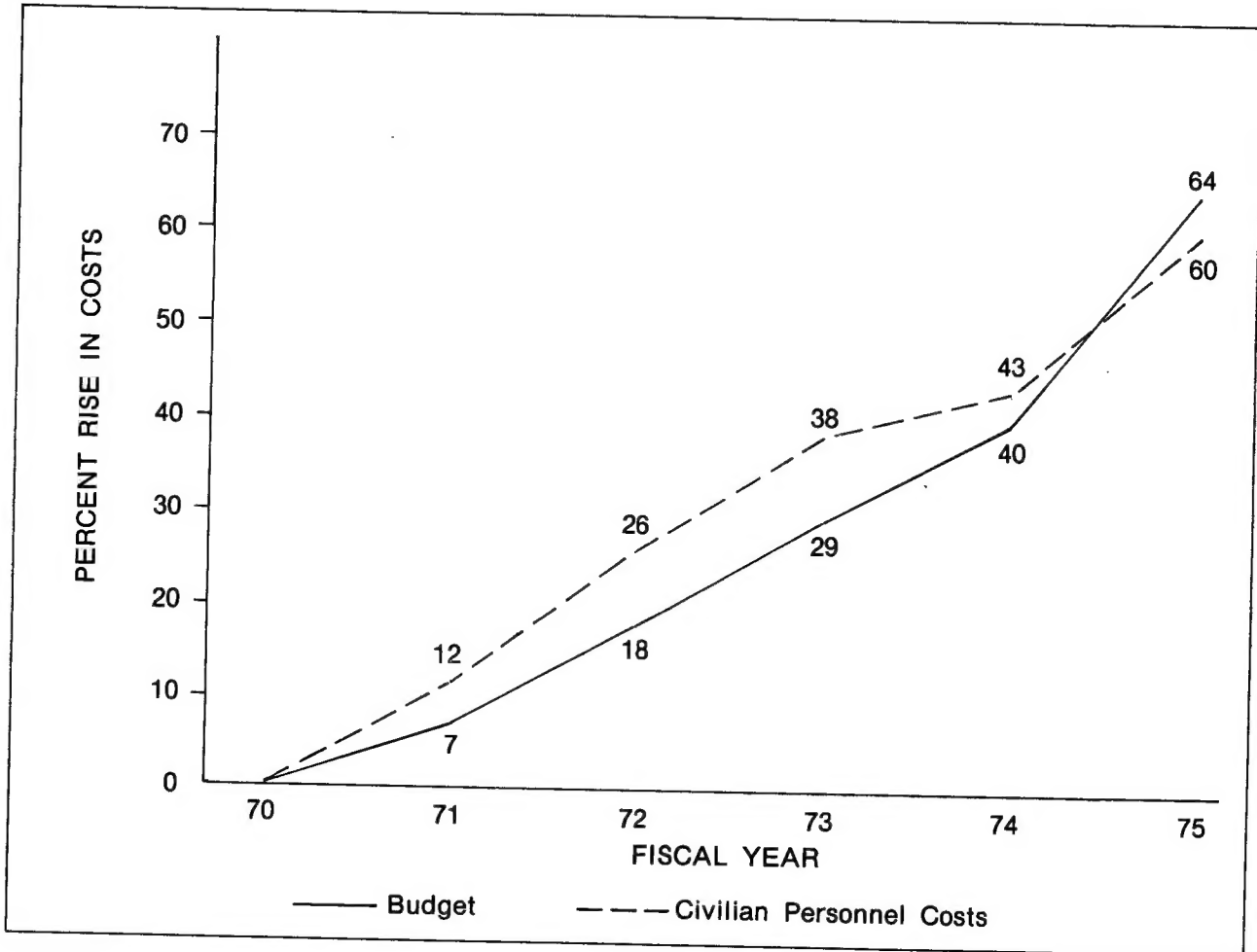
From the reports it is apparent that Federal executives and managers have given considerable emphasis and impetus to the President's goal of reducing personnel costs in government. Significant accomplishments have been recorded for Fiscal Year 1975. Even greater accomplishments are projected for 1976.

FIGURE 1
Executive Branch Civilian Personnel Costs as a Percent of Budget



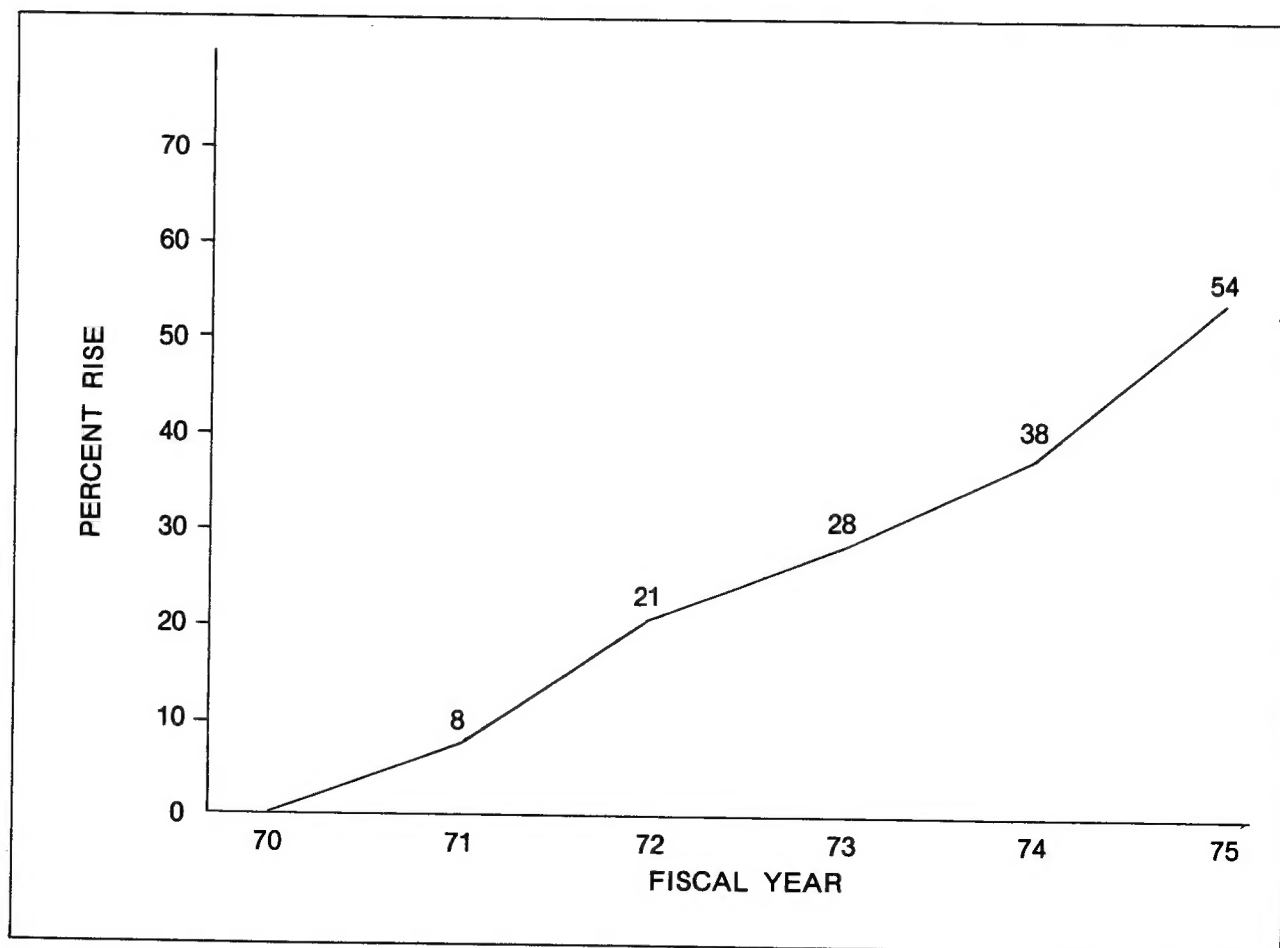
This figure shows that Executive Branch civilian personnel costs, when measured as a percent of total budget, have been decreasing since FY 72. Civilian personnel costs include compensation and benefits. Postal Service data is included in all figures and tables in this summary.

FIGURE 2
Relationship Between Percent Yearly Rise in Budget and Percent Yearly Rise
in Individual Civilian Employee Costs



This figure shows the percent increase, as an index, from FY 70 to 75 in both total Federal budget and yearly costs per civilian employee. The budget has increased cumulatively approximately 64% while employee costs have increased approximately 60%. It appears that the rate of increase in personnel costs relative to the rate of budget increase has slowed significantly in the last two years. Note the crossover point between FY 1974 and 75, which indicates that personnel costs are increasing at a slower rate than the budget.

FIGURE 4
Percent Yearly Rise in Total Civilian Compensation and Benefits



This figure shows the percentage yearly rise in total civilian compensation from FY 70 to FY 75. The total civilian compensation has risen approximately 54%. It should be noted that FY 70 is the base year from which these calculations have been derived.

TABLE 1
SUMMARY TABLE

Fiscal Year	1970	1971	1972	1973	1974	1975
Total Civilian Employment (Including Postal Service) (in Millions)	2.9	2.8	2.8	2.7	2.8	2.8
Total Federal Employment (in Millions)	6.06	5.6	5.2	5.1	5.04	5.01
Fund Outlays/Budget (in \$ Billions)	197.9	212.0	233.1	255.1	278.1	323.7
Total Civilian Compensation (in \$ Millions)	29,513	31,868	35,788	37,854	40,809	45,500

This table shows total Executive Branch civilian employment, total Federal employment, Federal budget outlays and total Executive Branch civilian compensation. Note the relatively constant level of civilian employment from Fiscal Year 1971 to Fiscal Year 1975. Fiscal Year 1975 data is an estimate.

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INTRODUCTION

From the beginning of his Administration the President has made quite clear his concern with the size of the Federal Budget, and with the impact of personnel costs on Federal spending. Because of this concern for the rising costs of Government he has made a number of specific proposals to Congress that would slow the upward trend of Federal salary costs.

- In September 1974 he proposed a deferral of the scheduled October 1974 pay raise.
- He successfully called for a 5% limit to the pay increases scheduled for fiscal 1976.

In addition to the action he has requested of the Congress, the President is very keenly aware of the opportunity and the need for executive branch action to get the most out of every personnel dollar. In a meeting in the fall of 1974 the President discussed with Civil Service Commission Chairman Robert Hampton and the then Office of Management and Budget Director Roy Ash several alternatives to focus attention on cost reduction in personnel management throughout the Federal Government. Instead of the imposition of harsh across the board measures, such as hiring and promotion freezes, Federal managers were challenged to make an immediate commitment to actions that will assure greater cost effectiveness in personnel management. The President asked that an intelligent effort be made to apply initiative, imagination, and sound managerial judgment to getting the most from every personnel dollar.

At the meeting the President asked the Civil Service Commission to assume the leadership role in the personnel management cost reduction campaign and to report to him periodically on Government wide progress. Accordingly, the Chairman CSC took a number of actions to accent the President's concern for cost effectiveness in personnel management. Also, the Commission developed cost reduction initiatives for certain key areas of personnel management as the framework for its own actions, and as guidance to the departments and agencies in their own efforts. The Chairman then asked the departments and agencies to report actions that had been taken during fiscal 1975, the results that had been noted, and the initiatives that were planned for fiscal 1976. Summarized in the following sections are some typical examples of the types of initiatives and actions that are being taken by the Civil Service Commission and the agencies.

At this stage it is difficult to point to many firm cumulative results and to provide measurable and solid indications of specific savings. But, the information gathered to date does make it clear that managers are facing up to the President's challenge to explore cost saving possibilities and that the cost reduction machinery is in place and is moving into high gear. The reports of action during fiscal 1975 are encouraging in that they provide evidence of plans for continued attention to cost reduction during fiscal 1976.

CSC ACTIONS AND INITIATIVES

As part of its effort to set the cost reduction machinery in motion, the Commission took the following actions:

- A memorandum from the CSC Chairman to all department and agency heads dated February 7, 1975 highlighted the President's concern and the need for top management attention to cost effective personnel management. The Chairman described a number of CSC initiatives and called on department and agency heads to assure management recognition and accountability for cost reduction so that managers would make the best use of their creative efforts. (Appendix)
- In a series of annual meetings during January-April 1975 which the CSC Chairman held with each Under Secretary or principal deputy of the major departments and agencies, cost reduction and agency productivity enhancement efforts, in the light of the President's cost reduction call, were prime topics for discussion.
- At the annual conference of department and agency-level directors of personnel held in April 1975, the Chairman highlighted the President's call for cost-effective personnel management. The meetings provided an opportunity for directors of personnel to discuss their responsibility and role in cost reduction efforts.
- The January-March 1975 issue of the Civil Service Journal, quarterly publication of the Civil Service Commission, was devoted entirely to the subject of cost reduction.
- At the field level, Civil Service Commission regional directors have taken steps to encourage a sense of urgency for high level management attention to the need for cost reduction, both through local CSC publications and contacts and through the Federal Executive Boards.

- Recognizing the potential for Labor union involvement in cost savings efforts, the Commission notified each of the major Federal employee unions of the Chairman's February 7, 1975 memorandum to department and agency heads. The CSC also made clear to directors of personnel and Federal managers their responsibility for bilateralism in developing changes to personnel policies and practices.

As indicated earlier the Commission developed several initiatives in key areas of cost effective personnel management for its own and agency use in cost reduction efforts. Typical of some of the actions taken or planned by the Commission in these areas are:

Cost Reduction Objectives Setting and Review

Two steps are of vital importance in the management of cost reduction activities: the establishment of plans and objectives and relating of evaluation to cost effectiveness. In his memorandum of February 7, to department and agency heads the Chairman emphasized these two steps and particularly stressed the necessity of linking cost reduction to internal personnel management evaluation.

Both the CSC and the agencies with CSC guidance and assistance have been placing major emphasis during the past several years on improving the agency personnel management evaluation systems that agency heads were asked to establish in a 1969 Presidential directive. This capability will be used during FY 76 to focus on personnel management cost effectiveness. In fact a major concern of both CSC evaluations and agency internal reviews will be directed to critically assessing cost effectiveness in personnel management. Commission reviews of personnel policies and practices at Federal installations will be made in over 600 installations during fiscal 1976. In addition to CSC reviews at agency installations, a growing number of internal agency reviews are becoming part of the Government-wide personnel management evaluation effort as departments and agencies continue to make progress in establishing their own internal personnel management evaluation system capability.

Work Methods, Practices, and Productivity Enhancement

One of the most fruitful areas to initiate cost savings measures is in the methods and practices used to carry out the Government's work: opportunities to simplify work, eliminate unnecessary procedures, improve methodology, and other steps to increase productivity so that use of personnel resources is more cost effective.

In order to provide effective leadership in this area the Commission established in 1974 the Clearinghouse on Productivity and Organizational

Effectiveness with the mission of fostering improvements in organizational effectiveness in Government agencies through the collection and dissemination of information on employee and organizational motivation and productivity. As the personnel management cost reduction campaign moves into high gear the Clearinghouse will become the focal point and government-wide source for new and innovative as well as established cost reduction methods and information.

Personnel Management Program Areas

Within the Commission all personnel management program areas are undergoing critical cost reduction review both from the operational and policy making aspects. The Commission because of its mission and unique relationship to other Government agencies and because of the impact its operations and policies have on the executive branch is subjecting all personnel management program areas to critical cost reduction review. However, the Commission has zeroed in on four areas which have the greatest potential for reducing personnel management costs in the Federal Service. These four areas, Position Management and Classification, Work Force Planning and Staffing, Employee Development and Incentive Systems, provided the central themes for the CSC's cost reduction initiatives the Chairman listed in his February 7 memorandum. Some typical CSC actions taken and results from these initiatives are:

- Salaries make up the largest portion of direct government personnel costs. Since position management and classification directly affect salaries, it is here that the Executive Branch has some of the best opportunities to pursue cost reduction.
 - o The Commission's increased emphasis on position management and classification in its personnel management evaluations of agencies is resulting in more economical position management and more accurate classification.
 - o Expanded consultation with agencies on proposed reclassifications has resulted in a cost savings of over \$545,000 since March of this year.
- Among the initiatives under consideration for integrating more part-time employees into the work force to meet both regular and peak workload demands is flexitime. CSC is now conducting flexitime experiments in several agencies, and a legislative package recently cleared by OMB would permit broader flexitime experimentation over a three year period.
- CSC is improving its entry, mid and senior level examining practices to increase the job relatedness of examining decisions thus doing a better job of matching available candidates with vacant positions which in turn promotes more effective employee performance and reduces turnover resulting from mismatches.

- CSC is increasing substantially its efforts to find alternative methods to instructor-delivered formal training. Almost 7,000 Federal, state and local employees have been trained through such alternative methods as correspondence courses and video - assisted training.
- The schedule for handing off CSC developed training packages is being accelerated. To date materials for training over 10,000 agency personnel have been handed off.
- Guidelines have been issued to assist agencies in periodic review of their awards programs to ensure that the programs are working in the most efficient and cost effective manner.
- Changes in the criteria and emphasis in the cost differences between the quality increases and special achievement awards are under development.
- Several efforts are under way to encourage cost reduction and cost effectiveness. One of the most significant efforts is the Presidential Cost Reduction Campaign through which the President intends to recognize by personal letters significant individual cost reduction contributions.

AGENCY ACTIONS AND INITIATIVES

The agency reports came to the Civil Service Commission from every Federal department, agency, commission, or other executive branch organization, both large and small, involved in diverse programs and activities, under different types of management control, and organized and structured organizationally and geographically differently. Consequently, a wide variety of cost reduction activities was reported.

Work Methods, Practices, and Productivity Enhancement

Many actions such as simplification of work procedures and improved methodology are taken routinely and without much note as part of normal day-to-day management of Federal programs. However, as budget constraints were felt this fiscal year agency reports make clear a heightened concern for eliminating obsolete requirements, updating work methods, and establishing more efficient practices.

Most agencies reported cost reduction initiatives in the use of automatic data processing, through new ADP applications and/or improvements in existing ADP systems and procedures. Savings were realized from more

efficient and economical use of ADP equipment and personnel and also from the provision of better and more timely information for managerial decision-making. Examples in two regulatory agencies illustrate some of the cost saving use of ADP equipment:

- o The Securities and Exchange Commission has placed a high priority on extending the use of management information systems and computer technology for achieving personnel cost reduction and improving productivity. Also the SEC has sought to maximize utilization of its existing ADP facilities by improving and simplifying work methods and eliminating any unnecessary procedures or operations. One illustrative project, the conversion of computer output from paper to microfiche, has produced impressive results, including substantial reductions in both personnel and storage space required for file maintenance. Other benefits include reductions in computer operator overtime, more current and timely data, and increased accessibility of data to users.
- o The Federal Trade Commission developed a comprehensive series of computer-based management information systems designed to help agency managers plan and control workforce utilization more effectively. The Case Project Tracking System, permits managers to track resource allocation, including personnel resource utilization, on a case-by-case basis and to determine whether projected milestones are being met. Other ADP information systems have been developed to provide more accurate and timely information on the status of financial obligations and disbursements against approved budget allocations and to give operating managers information for position management, manpower planning, and control of personnel costs.

Both large and small agencies are reporting initiatives to automate the "paperowrk" associated with personnel and payroll systems. The objectives of such automation are to hold down the amount of staff required to prepare and process the necessary paperwork and to produce more accurate and timely personnel and payroll records.

- o The Federal Mediation and Conciliation Service, a relatively small agency, has recently converted to an automated payroll system; a similar conversion of personnel records is planned for FY 76. On a larger scale the Department of the Treasury is developing an integrated personnel/payroll system for which it projects an annual savings of some \$6.6 million.

A growing number of agencies are experimenting with technological innovations such as work-processing equipment to improve work methods and enhance productivity. Several departments and agencies have established, or are preparing to establish, work-processing centers that permit the consolidation of typing and other clerical work and more efficient use of secretarial and support services.

Some innovative efforts at cost reduction in personnel management have been reported in the area of labor relations. Agencies are becoming more sensitive to the potential impact of negotiated labor management agreements on personnel costs. Agency efforts have begun to identify costs associated with alternative contract proposals in order to encourage cost consciousness among managers and help control personnel costs.

- o The Department of the Interior reported an approach for costing-out provisions of negotiated agreements and has trained local negotiators in costing techniques and contract analysis. Guidelines have been issued, and prototype contract clauses are being developed.
- o The Defense Supply Agency reported similar analysis of potential cost of contract proposals by local negotiators.
- o The Department of the Army has issued guidelines to managers on cost effective bargaining and has made this a major item of labor management training for managers.

Some successes have been reported in eliciting labor unions' support for productivity enhancement and "doing more with less" at the bargaining table itself and in day to day dealings.

- o The Tennessee Valley Authority reported costs savings realized from negotiated changes in overtime payment and composition of maintenance crews.
- o The Defense Supply Agency cited a local agreement which provided a cooperative framework, in the form of a Labor-Management Productivity Improvement Committee, for improving cost effectiveness and employee productivity. If this arrangement continues to produce the desired results, DSA hopes to use it as a model for other installations.
- o The General Services Administration expects to achieve savings by applying the principle of productivity bargaining in the next round of negotiations, and to emphasize union support for increasing cost effectiveness.
- o The Department of the Army reported an example of success in making significant improvement in raising productivity at one of its depots through cooperative efforts of union and management to improve marginal performance, identify inadequate equipment, and improve work practices.

Among other measures agencies have explored are changes in organizational arrangements to carry out work. Several agencies reported improvements in personnel utilization and savings in personnel costs through the use of modular organizational units or the "team approach".

- o The Federal Trade Commission has adopted a team approach for handling agency record keeping and processing functions by restructuring tasks, and cross-training employees to perform all functions. As a result work is performed faster and more accurately, and employee satisfaction has substantially improved. In those units using the team approach, backlogs were eliminated within two to three months and with an average personnel reduction of 20%.
- o The Federal Communications Commission reported similar success with the team approach in one of its organizations. Benefits included closer linkage of the technical and non-technical aspects the work, focussing of responsibility, expediting action, and lessened time-consuming review. In addition, the approach can relieve engineers and technicians of more routine duties and provide challenging work and advancement opportunities for capable non-professionals.
- o The U. S. Railroad Retirement Board experimented with the modular approach or team concept in two of its organizational subunits, with such success that it is planning to use the modular approach for handling all retirement and survivor benefits claims. The Board reported an increase in productivity during the pilot test, with a resulting decrease in the need for overtime work and greater flexibility in adapting to fluctuating workloads.
- o The Department of Commerce's Maritime Administration adopted the team concept in its computer operations. A single executive is responsible for total systems development and implementation. This reorganization has resulted in better service to users and a more flexible staff capability.

Position Management and Classification

As stated earlier these two areas directly affect employee salaries which make up the largest portion of direct government personnel costs. Agency reports describe increased management and personnel staff attention to organizing work more efficiently, structuring positions more economically, and insuring that positions are accurately classified at grades that are justified by the duties and responsibilities performed.

Here again, agency internal evaluation systems are being relied on by Federal managers at all levels as one of the primary means of assessing the achievement of cost reduction objectives and of identifying further

opportunities for savings. Increased evaluation system concern for economical position management and for accurate position classification is a consistently reported part of agency cost savings initiatives.

As part of their internal evaluation systems, agencies are accelerating position maintenance review programs that involve the audit of positions to identify and correct misclassifications, outdated positions and duplication or overlap of duties and functions. Agencies are using this accelerated maintenance program to assure that positions are graded in compliance with appropriate CSC standards established under law. Reviews are also being used to identify specific cost savings opportunities through lower grades for positions, more economical organization of work, or a reduced number of high grade positions. Some agencies have reported the use of automated personnel and position data systems to monitor grade and occupational imbalance so that reviews can be directed to those situations where there is most potential for payoff.

A number of agencies were able to point to impressive results:

- o One example of the results achieved through these types of reviews is reported by the Department of Justice where a number of classification surveys were completed as an adjunct to manpower planning reviews. As a result of visits to both field and headquarters units of one bureau a basis for denying 141 professional and 17 clerical positions was established. Otherwise, approval of these positions would have meant additional personnel costs of over 3 million dollars.
- o Another maintenance approach is illustrated by a review initiated in the Department of the Army Support Activities Staffing Review (SATAR) a system which is designed to examine enlisted and similar staffing and grades in Army support activities. All high grade positions (GS-12 to GS-15) in support activities will be audited during the next two years to determine positions that can be eliminated or restructured at lower grades without sacrificing unit effectiveness.
- o Reviews with an occupational focus have been initiated in some cases, especially in large Departments (for example, Treasury and Interior). In this approach positions are being reviewed across bureau and agency lines in a specific occupation to identify and correct instances of misinterpretation of standards, differences in utilization, or inconsistency of classification procedures.

A large number of agencies have reported that organizational and functional studies have been stepped up to identify cost savings opportunities.

- o Among the examples that provide dramatic evidence of the potential of this type of review for identifying cost savings opportunities

are the results reported by the Federal Energy Administration. FEA organization studies were effective in pointing out and correcting instances of overlapping and duplication of functions with probable annual savings of 54 staff years.

- o Another example in the Civil Aeronautics Board demonstrates a different type of cost benefit that has come out of these types of reviews. In CAB, organization studies were focussed on developing a more efficient span of supervisory control. As a result whole organizational segments were consciously redesigned from pyramidal to flat organization structures, eliminating excessive supervisory positions at a substantial salary savings, while improving operations.
- o The Air Force Logistics Command provides a very similar example where an organization study in each of five Air Logistics Centers was directed to the supervisory span of control. Substantial savings are expected when the results of the study are implemented to reduce supervisory layers and overhead costs.

Close management attention is being directed to average grade of positions and grade distribution as a means of monitoring and, where appropriate, controlling personnel costs. Techniques such as development of a targeted number of positions at certain grades and target reductions are being employed in some agencies. Proper use of this technique so as to avoid the pitfall of arbitrary control is most effective. In the Department of the Navy for example, emphasis has been placed on limiting the number of high level positions at grades GS-13 to GS-15. Target numbers of high level positions have been established for all components. Through management involvement in reaching these targets, the Navy expects by the end of fiscal 1975 to attain a 2.3% reduction from its peak employment at these higher grade levels.

- o Another example, in NASA, illustrates the use of targeted reduction to effect cost savings. Here an agency-wide plan was developed to reduce the number of executive-level positions by 47 over a three year period. In fiscal 1975, NASA reported seventeen executive level positions abolished for a savings of \$612,000. In fiscal 1976 12 additional reductions are targeted.
- o Smaller agencies have also made use of targeted reductions to effect savings. For example, the Defense Intelligence Agency reported that through joint consultation of managers and supervisors with the personnel and organization staff, grade distribution and control plans were designed to limit the number of high grade spaces at GS-13 to GS-15. As a result the DIA was able to reach its objectives with respect to planned numerical limitations on these grades.

Other cost control measures being adopted by a large number of agencies involved centralized control over the establishment of new higher grade positions, and over promotions to existing positions when vacancies occur. This type of control also dampens the "domino" affect that higher grade increases may have on lower grades.

- o In the Department of Labor, headquarters review of proposals for establishing higher grade positions resulted in turn down of 16% of requests for GS-14 and GS-15 positions.

Work Force Planning and Staffing

Agency managers are recognizing that through prudent planning and through use of thoughtful and innovative action staffing positions with high quality employees can be achieved more economically.

Many agencies reported cost savings resulting from comprehensive reviews of staffing requirements to assure that numbers, types, and grade levels of positions were absolutely necessary and structured in the most economical and efficient manner.

- o An example of one approach is an EPA regional office where a Position Resources Management Committee, composed of top-level management officials, was established to review unit staffing plans in order to assure that recruitment and promotion requests are considered in terms of program needs and their effect on overall average grade. One spinoff of this effort has been a noticeable increase in the awareness by regional managers of their total personnel management responsibilities.

Nearly all agencies reported that, as a matter of routine, as vacancies occur staffing requests are carefully scrutinized to assure that positions are essential, to determine the efficacy of filling them at a lower grade, and to examine the possibilities of job restructuring to achieve a more economical, better utilized work force.

These efforts typically resulted in a significant increase in the number of hires at the entry or trainee level and an increase in the use of paraprofessional staff.

- o One major Air Force command realized a savings of some \$300,000 by replacing professional engineer losses with trainees. An improved journeyman/trainee mix was credited with saving nearly \$5 million in personnel costs at three other Air Force installations.
- o Another typical example is offered by the Defense Supply Agency. Under the College Caliber Input Program, DSA expects to exceed its objective of replacing 33% of technical, professional, or managerial level positions by outside hires at the trainee level. This will result in savings of between \$2.5 to \$3 million for fiscal 75 over hiring at the full performance level.

In addition to the immediate reduction in salary costs, agencies anticipate other benefits from increased entry-level hiring, including better opportunities for employee development and reduced turnover due to greater career growth and promotional opportunities. As part of the renewed emphasis on entry-level hiring, agencies are making wider use of such special staffing programs as the Cooperative Education Program, the Stay-in-School Program, and the Work-Study Program. These programs serve as valuable parts of the agencies' total recruitment effort by providing excellent sources of career-minded applicants. In addition, substantial cost savings are realized.

One of the most productive actions taken by a large number of agencies involves the restructuring of duties in high grade professional positions to set up paraprofessional or professional support positions. This practice not only permits personnel cost savings, but also enhances opportunity for the upward mobility of lower graded employees.

A large number of agencies reported increased use of paraprofessional staff to perform some of the more routine tasks formally included in higher-graded professional and technical positions. These jobs restructuring efforts pay off in terms of reduced personnel costs and better work force utilization. They also permit establishment of "bridge" positions which can bolster employee morale by providing more opportunities for upward mobility and career development.

- o In the Department of the Treasury, the Internal Revenue Service has established three major paraprofessional occupations with journeyman grades of GS-5 and GS-7 to perform work that would otherwise be done by professional and technical employees at grades GS-9 and GS-11. Approximately 1,030 paraprofessional positions have already been established and filled in three IRS organizations at a savings of over \$5.6 million. For FY 76 personnel cost savings resulting from increased use of paraprofessional staff in IRS are estimated at \$1.5 million.
- o The Department of Justice reports use of paralegal staff in all of its litigation divisions. One such division currently has over 60 paralegal personnel on its rolls. Use of paralegal staff at grades GS-5 and GS-7 to perform case-related tasks not requiring an attorney has freed a large number of attorneys GS-11 through GS-14 for higher-level professional work.
- o The FTC has tested use of legal support position at grades GS-5, GS-7 and GS-9, to assist attorneys in case related research, and allow attorneys to concentrate on assignments requiring legal skills. The services provided by the 30 research assistants are costing an average of \$11,000 rather than an average of \$23,000 when performed by attorneys.

Increased use of paraprofessionals has also meant increased use of special staffing programs, such as the Yough Opportunity Program and the Worker-Trainee Program.

- o The Department of the Interior reported an effort to make greater use of the Worker-Trainee Program to fill continuing positions at the least possible expense and, at the same time, provide meaningful work experience. This program has been successful in bringing on board persons with relatively low skill levels but with energy and willingness to learn and potential for development.

Many agencies reported achieving cost reductions through increased use of part-time, temporary, or seasonal personnel. The use of temporary or seasonal staff is especially helpful in meeting fluctuations in workload.

Employee Development

An important ingredient in cost reduction efforts is the education of responsible managers to insure they have an appreciation of the need for cost effective personnel management objectives and an understanding of the measures available to achieve these desired results.

It is clear that Department heads have directed that more attention should be devoted to training managers and supervisors on their responsibility for cost effective management. Increased emphasis is being given to training in managing by objectives, cost effective management, work planning and use of productivity measures.

While training can be a productive means of increasing cost effectiveness and enhancing employee productivity, it is also significant personnel management cost item. Agencies are looking at the employee development and training program not only for the results that are to be achieved, but also from the standpoint of cost effective delivery.

Some of the largest recurring budget items in training programs are contracted instructor costs, and participant travel and per diem costs. Many agencies have taken initiatives to curtail these expenses by developing in-house training courses, correspondence courses, and the use of video-taped instruction. All three of these alternatives to off-site contracted training eliminate travel and per diem costs and significantly cut instructor costs. As a by-product, agencies have found in many cases in-house courses are more effective because they are tailored to specific needs of the agency. Typical of a large number of examples is one from the U. S. Customs Service that illustrate how a combination of measures reduced travel, per diem and instructor costs by approximately \$400,000. The Service is using correspondence training courses and has developed a nationwide videotape recording/playback system to send training course to its regions.

Where instructor contracted and/or off-site training is necessary, other techniques are being used to reduce training costs. More efficient scheduling, fewer sessions and more trainees per class also result in saving training dollars. These types of savings are in reports by both small and large agencies at headquarters and in field.

Another initiative used by individual agencies, bureaus, bureaus within agencies or several agencies together is the pooling of facilities, instructors, training aids and equipment and the sharing of training technology. This approach has been used both in Washington and in the field.

- o For example, an Interagency Council of Federal agencies was established in one of the less populous states for the purpose of reducing training costs through the pooling of equipment, material and facilities. The Commission has contributed to this effort by conducting training courses in the state rather than at its regional training center.
- o In the Washington, D. C. area, several small agencies have formed an informal association of training officers one objective of which is to share resources and thus reduce equipment and personnel costs.

Incentive Systems

Performance Evaluation and awards, quality step increases, the suggestion program, and honorary awards of various kinds have been used for many years as a means for motivating improvements in government operations and for enhancing productivity and organizational effectiveness. Many agencies are now taking further actions to increase managerial and employee awareness of incentive systems, and the potential they have for encouraging and recognizing employee contribution to cost effectiveness--not only in personnel management but also in much broader areas of government operations. These actions mainly take the form of expanded publicity and more intensive training of supervisors and managers on the value and flexibility of incentive systems, as well as on the criteria (including cost effectiveness) that should be applied for the different types of awards.

Also, agencies have undertaken actions to improve the management of incentive systems, by streamlining suggestion and awards processing procedures, delegating authority for certain types of awards to field organizations and first line supervisors, instituting awards for particular occupations or organizational segments, and establishing closer linkage between incentives, MBO and cost reduction.

Some typical examples of these actions are:

- o The Selective Service System, through revised procedures, eliminated a backlog of pending suggestions and exceeded by a significant margin the percentage of good ideas adopted in FY 75 over FY 74. The amount of tangible benefits received increased from \$2400 in FY'74 to \$17,000 in FY'75. This may seem, on its face, to be of relatively minor impact; but in terms of the size and budget of this organization it is an important contribution.
- o In the Department of Labor a special incentive program in productivity was implemented in the Directorate of Administrative Programs and Services in the Office of the Assistant Secretary for Administration. First line supervisors can now grant awards of up to \$60 to employees who make substantial contributions to productivity improvement.
- o The Equal Employment Opportunity Commission has decentralized its awards program to the field, with the establishment of regional incentive awards committees. This move brings the process closer to employees, reduces processing time and conserves the resources required to administer this agency-wide program.
- o The Patent and Trademark Office of the Department of Commerce is encouraging better use of personnel resources by emphasizing productivity as a basis for granting honorary and cash awards to both supervisory and non-supervisory personnel. The patent examiners have a well structured productivity goal system, and they are rewarded for producing significantly above expectancy.
- o In the Department of Agriculture, the Animal and Plant Health Inspection Service has instituted a special performance award program for veterinary medical officers and food inspectors, to encourage increased productivity in the meat and poultry inspection service.
- o The Defense Supply Agency is coordinating its awards program with other key elements of its management improvement efforts, such as the Value Engineering, Cost Reduction and Performance Improvement Programs, to secure maximum recognition of employee contributions.
- o The National Science Foundation has asked management to identify major problems having personnel cost implications and publicize these problems to employees. Employees will be encouraged to submit problem-solving suggestions focussed on those program concerns of paramount importance to the Foundation's program.

A key initiative for the executive branch translated into action by the President's memorandum of May 6, 1975 is the Presidential Cost Reduction Campaign--which gives special and personal Presidential recognition for contributions and savings to the Government of \$5,000 or more. Agencies have prepared directives to all employees transmitting the President's message, and they are encouraging active participation through special announcements and articles in agency newsletters and by promoting competition among their constituent organizations for the greatest savings. For example, the Veterans Administration has built on the Presidential campaign by issuing VA Cost Reduction Contributors certificates signed by the Administrator, for contributions resulting in tangible benefits of \$1,000 or more. Also Administrators' citations are given to central office and field organizations showing significant tangible benefits.

An initial survey of the largest agencies indicates that several dozen case files are already in process in the agencies or have been forwarded to the White House for approval of Presidential recognition letters.

CONCLUSION

From the reports of the departments and agencies of the executive branch, it is apparent that Federal executives and managers have given considerable emphasis and impetus to the President's goal of increased cost reduction in personnel management. Significant accomplishments have been recorded for Fiscal Year 1975. Even greater accomplishments are projected for 1976.



UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON, D.C. 20415

February 7, 1975

MEMORANDUM FOR HEADS OF DEPARTMENTS AND AGENCIES

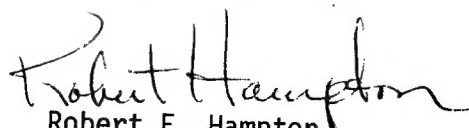
The President has recently emphasized his concern over rising personnel costs. Through current budget actions by OMB all of us have been called upon to do better in assuring cost effective personnel management throughout Government. Personnel costs are indeed significant in carrying out the business of our Government, and there is much that can be done to reduce them. Several possible actions have been outlined, and I am responsible for keeping the President and OMB informed of progress and results.

This Commission is initiating a number of actions to help you promote cost reduction in personnel management. In administering the Government-wide Federal Personnel System we recognize that our actions have an impact on day-to-day personnel management in all agencies. We are determined to do everything possible to assure that this system operates not only in accordance with law and merit principles but also contributes to efficient Government. The principal actions we have underway are outlined in the attachment to this memorandum. As work progresses on these initiatives, we will follow with others.

Obviously, the initiatives you take in response to the President's concern will be critical to success. Your executives and those they lead must also share the sense of urgency needed to renew and sustain an effective cost reduction program. Two elements are essential to this undertaking: (1) capitalizing on the best creative efforts of your managers, supervisors and employees, to tap their ideas for reducing personnel costs, and (2) assuring recognition and accountability for cost reduction actions.

Effective internal evaluation is central to your management of these cost reduction initiatives. Establishing clear objectives and devising plans of action to achieve them, monitoring progress and getting feedback on results, identifying and dealing with problems interfering with even greater achievements -- all of these elements are critical to success. Perhaps more than ever before, therefore, it is essential that your internal personnel management evaluation efforts be linked to cost reduction.

I shall be reporting to the President on progress periodically. Accordingly, I would appreciate your furnishing me by May 15, 1975, a comprehensive summary of the actions already taken by then and results achieved, together with an outline of the additional results you plan to achieve in FY 75 and FY 76, in response to the President's expressed concern and call for action.


Robert E. Hampton
Chairman

Attachment

THE MERIT SYSTEM—A GOOD INVESTMENT IN GOOD GOVERNMENT

ATTACHMENT

CSC'S COST REDUCTION INITIATIVES IN PERSONNEL MANAGEMENT

Following is a summary of planned CSC initiatives to promote cost reduction in personnel management. More detailed information for consultation and implementation will be provided through the usual media.

Position Management and Classification

1. Increased emphasis on position management in CSC evaluation program, to assess critically the effectiveness of agency position management systems and activities, and to assure that position management concerns are adequately addressed in internal agency evaluation systems.
2. Establishment of a periodic review and report by agencies of their management and utilization of supergrade position resources, with analysis and appropriate action by the CSC to abolish or reprogram lower priority positions as they become vacant.
3. Additional emphasis on accuracy of position classification, both in CSC evaluation program and in agencies' internal evaluation systems; principal focus will be on classification accuracy of higher grade positions, and the extent to which the amount of high grade work justifies the number of such positions.
4. Expanded consultations with agencies on major classification actions, including: (1) proposed reorganizations with significant position management and classification implications, and (b) proposed upgradings of significant numbers of positions.

Manpower Planning and Staffing

5. Encourage consideration of high quality eligibles on entry level examination registers, such as the JFA and the PACE exams, to facilitate agency hiring at the GS-4 and GS-5 levels wherever feasible.
6. Additional initiatives to promote greater use of part-time employment to meet both regular and peak workload demands.
7. Development of improvements in CSC competitive examining processes, to do a better job of matching available candidates with vacant positions, to promote more effective employee performance, and to reduce turnover resulting from dissatisfactions and deficiencies due to mismatches.

8. Increased emphasis in CSC evaluation program and in agencies' internal personnel management evaluation systems on staffing management and analysis; principal focus will be on promoting more effective agency staffing planning, job restructuring, utilization and turnover analyses, and other efforts to assure optimum staffing practices to reduce personnel costs.

Employee Development

9. Expanded and intensified CSC training leadership and information services, coupled with related efforts to improve the management of training programs governmentwide in terms of planning, budgeting, use of cost benefit analysis, and evaluation.
10. Improved results from training and development efforts through greater emphasis on trainers' responsibility for improved employee performance; broader use, wherever applicable, of specific performance improvement objectives and related evaluation criteria by vendors of instruction.
11. Increased emphasis, both in agencies' internal evaluation systems and through CSC's evaluation program, on: (a) the efficiency and effectiveness of training obtained through non-Government facilities, and (b) the effectiveness of both agency and interagency training programs in improving performance, increasing efficiency, and enhancing organizational effectiveness.
12. Accelerated schedule for handoff to agencies of CSC-developed training packages, as well as accelerated efforts to develop alternative means to instructor-delivered formal training, including off-the-shelf individualized learning packages such as correspondence courses, video-assisted training, and programmed learning texts.

Incentive Systems

13. Intensify promotion of Government-wide suggestions program to involve managers, supervisors and their employees more effectively in: (a) identifying opportunities for operational improvements that will result in cost reduction, (b) accelerating the consideration and adoption of worthwhile suggestions, and (c) enhancing the recognition of successful suggestors.
14. Improved linkage between Government Incentives Program and agencies' improvement efforts to achieve increased efficiency and cost reduction; better integration of Government-wide emphasis on "Management by Objectives" and needs for cost reduction in personnel management.
15. Revised guidance to agencies which clarifies use of special achievement awards for sustained superior performance and quality increases, to achieve more cost effective personnel management through proper use of these two forms of recognition.